

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

September 23, 2002
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton, Davidson, Lee, and Noble

ABSENT: Councilmember Mosher

1. Executive Session

Deputy Mayor Degginger opened the meeting at 6:00 p.m. and announced recess to executive session for approximately 45 minutes to discuss one item of property acquisition. The study session resumed at 6:42 p.m. with Mayor Marshall presiding.

Deputy Mayor Degginger suggested amending the agenda to switch items 3(c) and 3(e), and Council concurred.

2. Oral Communications

- (a) Leslie Lloyd, President of Bellevue Downtown Association, referenced Agenda Item 3(d) regarding the Downtown Implementation Plan and discussed the importance of planning for inevitable downtown growth. She said DIP issues are too important to allow emotions to rule the decision-making process. The BDA has not yet taken a formal position regarding a proposal to widen Bellevue Way or any other DIP component. The BDA has taken a position adopting a broad vision for downtown Bellevue as the hub of the Eastside, a necessary action if Bellevue is to meet the requirements of the Growth Management Act and maintain its quality of life. Ms. Lloyd feels all DIP components and proposals should be studied in the environmental impact statement (EIS) process in order to facilitate objective and informed decisions.
- (b) Todd Woosley discussed Resolution No. 6747 addressing evaluation of the uses allowed in the General Commercial (GC) land use district. He expressed some frustration with the process, which began two years ago when Council directed the Planning Commission and staff to review the issue. A public hearing was held by the Planning Commission this summer and the majority of testimony focused on restoring miscellaneous retail and

apparel/accessories uses in the GC zone. After the hearing, the public was informed that the way the meeting was noticed in the newspaper precluded these options from potential implementation. On August 5, City Council heard the matter and suggested a public hearing be held. Mr. Woosley expressed support for Alternative 3 (Page 3-10 of the Council packet), which recommends a study of GC-zoned areas in the NE 8th Street/Wilburton corridor, as a long-term strategy. He encouraged Council to adopt Alternative 1 and/or Alternative 2 now to allow miscellaneous retail and apparel/accessories sales as permitted uses in GC districts. He asked Council to consider this an economic emergency and to show support for diversity within the community. Mr. Woosley noted that most businesses he has turned away due to zoning conflicts are minority-owned and/or minority-serving businesses.

- (c) T.J. Woosley referenced Resolution No. 6747 and encouraged Council to continue moving forward with this initiative. He asked Council to adopt Alternative 1 now and to consider Alternative 3 as a long-term option. He suggested Council consider this an economic emergency under the Growth Management Act to allow a Comprehensive Plan amendment separate from the annual review and amendment process.

3. Study Session

(a) Council New Initiatives

No new initiatives were discussed.

(b) City Manager's Report

City Manager Steve Sarkozy noted the management brief in the Council packet regarding a change in traffic management at transportation construction project sites. Previously contractors were responsible for providing traffic control personnel at construction sites. A new approach has been implemented through the Police Department utilizing Bellevue police officers and assigning a police lieutenant to oversee the program. The goal is to improve traffic flow for citizens.

Responding to Mr. Creighton, Mr. Sarkozy said most jurisdictions require construction contractors to provide traffic management services. Mr. Lee thanked staff for implementing the new approach. Mr. Sarkozy noted that 64 police officers have volunteered to work overtime in this capacity.

Moving on, Mr. Sarkozy discussed the management brief regarding a proposal to the Downtown Implementation Plan Citizen Advisory Committee to create a transition zone along the southern boundary of the downtown. The proposal was presented by a citizen and not a member of the CAC. Mr. Sarkozy assured the public the City has no plans to change zoning in these residential areas south of downtown.

Mayor Marshall asked staff to provide the management brief, which indicates the proposal is dead, to CAC members for their next meeting.

- (c) Resolution No. 6747 directing the Planning Commission to hold a public hearing for consideration of certain amendments to the Comprehensive Plan in order to evaluate the uses allowed in the General Commercial (GC) Land Use District, remove barriers to the efficient use of land designated as GC, and stimulate the economy.

Matt Terry, Planning and Community Development Director, introduced two consultants, David Blanchard and Jim Reinhardsen of Heartland, a real estate advisory firm hired to study the impacts of expanding retail uses within the GC (General Commercial) zone. Mr. Terry said the Planning Commission has considered and proposed modest changes to the GC zone on three different occasions during the past 20 years. Past modifications responded to changing market conditions and were intended to distinguish the GC zone from LI (Light Industrial) and CB (Community Business) zones.

Mr. Terry said the GC zone is diverse and exists in several areas of the city, each of which contains different types of land uses. Heartland was hired to determine the potential impact of expanding retail uses in the GC zone on real estate prices and on other uses within the zone. Mr. Terry said auto dealers are primarily located in GC zones. Staff would like to avoid any policy changes that would increase land prices to the point at which auto dealers could no longer be competitive.

Mr. Terry said an expanded retail use in parts of the GC zone makes sense. However, it is likely one solution will not be applicable to all GC areas. Staff encourages Council to consider Alternative 3, and perhaps Alternative 2 in the short term to allow for the completion of the NE 8th Street corridor study.

Mr. Terry said staff conducted a visual survey of all retail centers in GC zones in an attempt to assess the extent of vacancies. A determination was made that new retail uses should be limited to 5,000 square feet to avoid driving up land prices and threatening auto dealerships.

Dan Stroh, Planning Director, noted a map showing GC zoning districts within Bellevue. The two largest GC districts are: 1) the area east of downtown along 116th and 120th Avenues NE, and 2) the area around NE 20th Street roughly between 140th and 148th Avenues NE. Mr. Stroh said Alternative 1 in the Council packet addresses the concerns of property owners wanting to add miscellaneous retail and apparel/accessories as permitted uses in the GC zone. However, such a change could delay redevelopment in GC districts and potentially have a negative effect on auto dealers. Mr. Stroh noted that auto dealers generate 9.4 percent of the city's sales tax revenues. Alternative 1 also tends to blur the line between GC and CB zones.

Turning to Alternative 2 to add unrestricted miscellaneous retail and apparel/accessories sales as permitted uses in the GC district with a size limitation of 5,000 square feet, Mr. Stroh said this option does little to encourage redevelopment within GC zones.

Mr. Stroh said staff recommends Alternative 3, which provides a focus on redevelopment of the NE 8th Street/Wilburton corridor encompassing Auto Row, Home Depot, Best Buy, Larry's Market, Barrier Motors, and the Lake Bellevue area. The objective of the recommended study is

to encourage redevelopment, address transportation issues, potentially expand retail uses in some areas, and promote the retention of auto dealers.

Mr. Terry asked Heartland staff to comment on their findings. Mr. Blanchard said auto dealers can be divided into those who own their land, lease from the car manufacturer, or lease the ground and/or dealership themselves. Dealers who own their land are in a more stable position than those who lease. Existing auto dealers have expansion and operational efficiency needs that are increasingly difficult to meet as land prices increase. New entry into the market is difficult given current land prices and some auto dealers are introducing multi-level showrooms because of the high prices. Mr. Blanchard said Heartland's general conclusion is that if more retail uses are allowed in the GC zone, there is an increased risk that car dealers will eventually be replaced by competing retail businesses.

Councilmember Lee questioned the effect of adopting both Alternative 2 and 3. Mr. Terry said Alternative 2 is intended as a compromise if Council is interested in immediately expanding the list of allowable uses in GC zones. He cautioned that expansion of retail uses in all GC zones could begin to influence land prices. Staff has discussed the possibility of eliminating the GC zone and redesignating these areas as Community Business and Light Industrial, primarily because expansion of retail uses within the GC zone will lead to more non-conforming uses. Mr. Terry understands property owners' frustrations but cautioned this is a very complicated issue and the City wants to avoid unanticipated consequences.

Responding to Mr. Lee, Mr. Terry said expansion of retail uses makes sense for some areas of the city. Staff suggests this be configured in a way that will encourage the redevelopment of property. One potential consequence of expanding the types of retail uses is that it will promote the continued use of older retail buildings rather than redevelopment.

Responding to Mr. Noble, Mr. Terry said staff's proposed 2003 operating budget includes a study to determine how best to facilitate redevelopment of the NE 8th Street/Wilburton corridor. If approved by Council, work will begin in January. Following staff's work, the issue will be forwarded to the Planning Commission and ultimately, in seven to nine months, to City Council. If Council adopts Alternative 1, the issue will be forwarded to the Planning Commission and a recommendation would likely be produced by the end of the year or early next year.

In response to Deputy Mayor Degginger, Mr. Terry said Council adoption of Alternative 2, along with Alternative 3, is not likely to have a significant negative impact over the next year. The benefit is it would allow property owners to fill current retail space vacancies.

Responding to Dr. Davidson, Mr. Terry said the Land Use Code makes a distinction between large, anchor-type retail uses permitted in CB zones versus those permitted under the miscellaneous retail category, which tend to be smaller uses. Larger uses in the 50,000 square foot range can push land prices to a level that raises concerns about unanticipated consequences. Mr. Terry said most GC vacancies are smaller spaces. Expanding retail uses with the limitation of 5,000 square feet would allow these vacancies to be leased.

Mr. Creighton supports staff's recommendation for Alternative 3. However, he also would like to accommodate the needs of property owners with retail vacancies to fill. As a result, he is leaning toward approval of Alternatives 2 and 3.

Mayor Marshall would like the study described under Alternative 3 to include all property owners and to reach a definitive conclusion.

- ➡ Deputy Mayor Degginger moved to: 1) direct the Planning Commission to hold a public hearing on Alternative 2 and report to City Council by the end of the year, and 2) direct staff to proceed with Alternative 3 beginning in January 2003. Dr. Davidson seconded the motion.

Dr. Davidson hopes the public hearing process will shed more light on an appropriate square footage limitation.

Mr. Lee encouraged an accelerated timeframe on this issue. Mr. Terry confirmed this is a high priority for staff. He recalled that staff proposed a study of the NE 8th Street corridor in its budget presentation earlier this year.

Mr. Creighton is concerned about the needs of both property owners and the community at large. He wants to ensure services are maintained for the convenience of residents.

- ➡ The motion to: 1) direct the Planning Commission to hold a public hearing on Alternative 2 and report to City Council by the end of the year, and 2) direct staff to proceed with Alternative 3 beginning in January 2003, carried by a vote of 5-1 with Mr. Lee dissenting.

Mr. Stroh requested Council action on Resolution No. 6747.

- ➡ Deputy Mayor Degginger moved to approve Resolution No. 6747, and Mr. Creighton seconded the motion.
- ➡ The motion to approve Resolution No. 6747 carried by a vote of 6-0.

- (d) Downtown Implementation Plan (DIP) – Implications of revised downtown growth forecast (*Postponed from September 16 Study Session*)

Mr. Stroh recalled staff's presentation of two growth scenarios at the August 5 Council Study Session. The first scenario assumes the original Downtown Implementation Plan forecast from Spring 2000, which projected the addition of 44,000 downtown jobs between 2000 and 2020. This assumption was based on a consultant's market analysis as well as new and pending construction projects. The second scenario recognizes a slower rate of growth due to the national recession and the collapse of the regional technology sector. Downtown office vacancies are 25 to 30 percent and major construction projects have been stalled. Mr. Stroh said 2020 job growth is now estimated at 28,000 new jobs, a 36 percent reduction from the previous forecast.

Mr. Stroh moved to a discussion of the implications of slower job growth for infrastructure investments and economic development strategies.

Kris Liljeblad, Assistant Director of Transportation, said the decrease in projected job growth equates to approximately 38,000 fewer new trips during the two-hour p.m. peak period. As a result, at least four fewer new lanes of roadway capacity are needed to access the downtown. Mr. Liljeblad reviewed three travel lane alternatives under consideration by the Downtown Implementation Plan Citizen Advisory Committee:

- New half-interchanges on I-405 at NE 2nd and NE 10th Streets, along with the widening of NE 2nd Street. This continues to emphasize the eastern gateway into downtown.
- Widening Bellevue Way to six lanes between NE 12th Street and SR 520 and between Main Street and I-90.
- Widening 112th Avenue to six lanes between NE 12th Street and SR 520 and between Main Street and SE 8th Street.

Mr. Liljeblad reviewed the schedule for the Downtown Implementation Plan Draft EIS (Environmental Impact Statement):

- Draft EIS to be released October 3.
- DIP CAC meeting scheduled for October 9.
- Draft EIS Public Hearing and Open House scheduled for October 22.
- Public comment period ends November 18, followed by completion of the Final EIS.

Councilmember Creighton, Co-Chair of the DIP Citizen Advisory Committee, acknowledged the need to scale back the Downtown Implementation Plan based on new growth projections. He looks forward to the release of the Draft EIS. He noted several ideas discussed and eliminated by the CAC including a 124th Avenue extension, one-way couplets, and narrowing Main Street.

Deputy Mayor Degginger, a CAC member, favors increasing traffic capacity on NE 2nd and 10th Streets and continuing to improve access into downtown from I-405 to the east. He looks forward to moving away from the difficulties associated with proposals to widen Bellevue Way and 112th Avenue.

Mr. Lee encouraged a stronger emphasis on economic development and on exploring new technologies, particularly since the growth forecast indicates more time to study creative technology solutions.

Mr. Noble, a CAC member, concurred with the need to focus on promoting Bellevue and enhancing economic growth. He feels major arterial projects under consideration in the DIP process can be set aside for now based on the new growth projections.

Mayor Marshall recalled the development of a local transportation vision by Council and the community. Council continues to work to implement its regional transportation vision as well through its participation with regional committees and forums. Mrs. Marshall said she does not

want to keep the community in suspense about proposed arterial projects. She expressed a preference for the alternative to increase capacity on NE 2nd and 10th Streets.

Dr. Davidson feels the alternatives to widen Bellevue Way and 112th Avenue should be eliminated from further consideration. Residents have been opposed to the proposals and new growth projections reflect that the need for such projects no longer exists. He noted that widening Bellevue Way would result in the loss of the parking lot at his dental practice.

Mr. Creighton suggested staff's information about revised growth targets should be presented to the DIP CAC. He summarized Council consensus to focus capacity improvements on NE 2nd and 10th Streets while continuing to work with Sound Transit on Phase 2 planning and potentially the implementation of high-capacity transit.

At 8:20 p.m., Mayor Marshall declared a break. The meeting resumed at 8:30 p.m.

(e) Regional Issues

Diane Carlson, Director of Intergovernmental Relations, provided a presentation on two statewide voter initiatives. Initiative 776 reduces license and excise fees on vehicles to a maximum of \$30, resulting in a loss to the State of approximately \$121 million for fiscal years 2003-2009. This initiative extends reduced license and excise fees to light trucks, which were omitted in Initiative 695 a couple of years ago. I-776 repeals local government's authority to impose a \$15 license fee, resulting in the loss of revenue that is currently shared by cities in King County on a population-based formula. The City of Bellevue would lose approximately \$1 million in 2003 CIP (Capital Investment Program) funding and \$7.2 million in CIP funding through 2009. I-776 eliminates Sound Transit's authority to collect its 0.3 percent motor vehicle excise tax (MVET), resulting in the loss of \$432 million for fiscal years 2003-2009. In addition, anticipated Phase II revenues of \$782 million would not be generated. The initiative requires Sound Transit's light rail bonds to be retired using reserve funds, property sales, or new tax revenues.

Mayor Marshall noted that Sound Transit's East Subarea currently has banked revenues. If I-776 is approved, it is possible these East Subarea funds could be used to retire the light rail bonds, which were used for projects in Seattle and north King County. Ms. Carlson concurred.

Responding to Mrs. Marshall, staff said Bellevue would need to raise property taxes approximately four percent to make up for the loss of \$1 million in CIP funding. She emphasized I-776's potential negative impacts for Bellevue residents.

Deputy Mayor Degginger commented on the potential ripple effect of this initiative, particularly with reduced funding to the state highway patrol and the ferry system. Reduced revenue for these essential public services will result in budget cuts to other areas in order to continue their operations.

Mayor Marshall recalled Council's early support of Referendum 51, which will provide transportation project funding. Deputy Mayor Degginger suggested Council also adopt a formal position on Initiative 776. Mr. Noble said the City of Seattle opposes the initiative.

- Deputy Mayor Degginger moved to hold a public hearing on Initiative 776, and Mr. Noble seconded the motion.

Mr. Lee supports efforts to inform and educate the public. However, he feels Council should not take a formal position on the initiative and should let the voters decide.

Mr. Noble agreed that citizens can and will make up their own minds about I-776. However as a Councilmember, he feels a duty to study and influence potential impacts to the City.

- The motion to hold a public hearing on Initiative 776 carried by a vote of 6-0.

Moving on, Ms. Carlson noted the updated agenda memo regarding Initiative 790 in Council's desk packet. I-790 establishes a new governing board for the Law Enforcement Officers and Fire Fighters 2 (LEOFF 2) retirement plan. Investment earnings in excess of the required rate of return could only be used for additional benefits. Currently they are used to lower employee, employer, and state contribution rates. The governing board would have eleven members – six active LEOFF 2 members, three employer representatives, and two state legislators. The board would have the authority to set contribution rates, provide for the design and implementation of increased benefits, and approve benefit increases.

I-790 includes four potential changes to the governance and implementation of the LEOFF 2 system. A change in the administration of the LEOFF 2 system reflects the least impact, resulting in increased administrative costs for the City of approximately \$30,000 to \$60,000. Additional costs of \$2.65 million in 2004 could result if interest earnings can no longer be held in reserve to maintain lower contribution rates over time. The board's ability to increase benefits by as much as 20 percent could result in additional costs of \$2.1 million in 2004. Increased benefits over 20 percent would require legislative approval and could result in additional costs as well.

Responding to Mayor Marshall, Interim Finance Director Brad Miyake said property taxes would need to be increased 10 percent to compensate for the potential loss of \$2.65 million in 2004. This does not include additional potential cost increases outlined by Ms. Carlson. Mr. Miyake said the City's current unused property tax capacity is \$7.8 million or approximately 15 percent.

Responding to Mr. Lee, Ms. Carlson said the LEOFF 2 plan has historically experienced returns greater than the State-required 8 percent, resulting in lower contribution rates for employers and employees.

Dr. Davidson expressed concern about the proposed membership of the LEOFF 2 governing board because it contains a majority of LEOFF 2 members.

Mayor Marshall noted that Councilmember Mosher and the Association of Washington Cities oppose this initiative due to its negative effect on local governments' budgets and ultimately the taxpayer.

- ➡ Deputy Mayor Degginger moved to hold a public hearing on Initiative 790, and Mr. Lee seconded the motion.

Responding to Dr. Davidson, Mr. Sarkozy suggested staff prepare a fact sheet in advance of the public hearing due to the complexity of this issue. Mayor Marshall requested a fact sheet for I-776 as well.

- ➡ The motion to hold a public hearing on Initiative 790 carried by a vote of 5-1, with Mr. Creighton dissenting.

Ms. Carlson moved to a discussion of the King County jail agreement and reviewed the recent history of this issue. In May 2001, King County Executive Ron Sims announced cancellation of the existing jail agreement. Cities have been negotiating a new agreement with King County since August 2001. In late 2001, King County announced its intent to remove city misdemeanor inmates from county jails. The City of Bellevue signed a short-term jail agreement with Yakima County in February 2002 followed by a long-term agreement in June 2002. The city and county negotiating teams reached a tentative agreement in August with a deadline for approval of November 1, 2002.

Ms. Carlson said the cities' goals throughout negotiations were reasonable and predictable rates, predictable capacity for cities, a long-term agreement, establishment of an operational management group, and compensation for moving inmates out. Bellevue's current rate for King County jail services is a \$76 per day maintenance fee, a \$139 booking fee, and 10 percent of all felony charges. The new, proposed agreement reflects a maintenance fee of \$77.37 per day and a booking fee of \$148.78, both of which would be subject to a 5.8 percent annual increase. The agreement eliminates the 10-percent felony charges and allows a special population (inmates needing medical/psychiatric services) fee of \$205.35 per day. The agreement is designed to gradually decrease the cities' use of King County facilities as follows:

- 380 beds as of January 1, 2004,
- 250 beds as of January 1, 2005,
- 220 beds as of August 1, 2005,
- 0 beds (with some exceptions) by January 1, 2012.

Ms. Carlson noted that 250 beds corresponds to the pre-sentenced misdemeanor population for all cities participating in the agreement. Most post-sentenced Bellevue inmates will be sent elsewhere by January 2005 to allow the use of King County facilities for bookings and short-term stays. The 10-year agreement provides for annual renewals after 2012 and establishes an administration group.

Ms. Carlson said King County will transfer a piece of property in Bellevue to all cities engaged in the agreement. This property, located near 116th Avenue and NE 12th Street, was purchased

by the County in 1996 for \$4.6 million. Ms. Carlson said the property will likely be sold and the proceeds will provide financial assistance to contracting cities. The City of Bellevue will take possession of the property, on behalf of all cities, before July 1, 2004. Provisions for property management will be established through a future interlocal agreement. Ms. Carlson reiterated that Council action on the jail agreement is needed by November 1, 2002.

Ms. Carlson said Bellevue's current agreement with Yakima County does not require Yakima County to guarantee 440 beds until its new facility is built. An addendum to this agreement has been reached requiring Yakima County to provide the 440 beds, within its existing capacity, beginning in November 2003 and to shift its inmates elsewhere if needed.

Responding to Mr. Creighton, Ms. Carlson said details of the property transfer will be specified in the interlocal agreement to be developed. The City of Bellevue retains the option to execute this property transfer any time before July 1, 2004.

Deputy Mayor Degginger thanked Ms. Carlson and Lori Riordan, Assistant City Attorney, for their hard work in the negotiations. He feels the jail agreement meets the City's needs and responds to Council direction.

- Deputy Mayor Degginger moved to direct staff to prepare final approval documents for Council consideration of the jail services and property transfer contracts with King County. Mr. Noble seconded the motion.
- The motion to direct staff to prepare final approval documents for Council consideration of the jail services and property transfer contracts with King County carried by a vote of 6-0.

Lloyd Warren, Utilities Director, requested Council direction on how to include Cascade Water Alliance costs within the City's budget. He recalled Council's endorsement on September 9 of the Cascade Action Plan, which includes three cost elements:

- Administrative costs - Based on size of organization/jurisdiction.
- Water supply costs - With the same unit cost for all members on a "take or pay" basis.
- Growth facilities costs – Cascade's philosophy has been that growth should pay for growth. However, each jurisdiction can decide how to recover these costs. Mr. Warren requested Council direction on how Bellevue wants to recover growth-related costs.

The action plan includes a step-up provision that requires member cities to cover unanticipated costs if revenues are not sufficient. Mr. Warren reviewed Bellevue's current water costs. Administrative costs are programmed into water rates. Water costs continue to be based on the current contract with Seattle, which expires in 2012. Bellevue has a local growth connection charge equivalent to \$1,200 per unit, which is collected over a 10-year period, as well as a regional growth "new water" component based on water rates paid to Seattle.

Mr. Warren said Cascade's proposed growth charge is based on the cost of new facilities identified in the Action Plan and is due to Cascade at the time of water meter installation. The charge is proposed at \$1,700 per growth unit, adjusted annually for inflation and amendments to the capital plan. Bellevue and other member cities may choose how to collect these charges. Approximately 350 growth units are projected for 2003 in Bellevue.

Options for recovering growth charges include water rate revenue, development charges, or a combination of the two. Mr. Warren said Bellevue's current rate structure, based on the purchase of water from Seattle, includes a growth component. This approach is thought to avoid a potential economic disincentive to development as well. There is some financial risk, however, if development activity exceeds growth projections. Also, ratepayers might not see the benefit of paying for growth-related costs.

Regarding the option to recover growth expenses through development charges, Mr. Warren said this approach presents no financial risk for the City's Utility Department. This option most closely meets Council's interest statement that "...capital costs incurred to service growth should be borne by new customers." The downside is that it provides a potential disincentive to development interests.

Mr. Warren reviewed the following three cost recovery alternatives:

1. All costs charged to development – One-time 1.3 percent decrease in water rates. The full \$1,700 per unit cost would be charged to development.
2. All costs recovered through water rates – One-time 1.6 percent increase in water rates.
3. Combination – One-time 0.2 percent increase in water rates; \$850 per unit charge to development.

Staff recommends Alternative 1 to prepare the next biennium Water Utility budget based on the collection of all Cascade growth charges from development. Charges will be collected in full at the time of development in order to pay Cascade.

Deputy Mayor Degginger noted that Cascade members, despite the mixture of old and new cities, support the growth charge.

➡ Deputy Mayor Degginger moved to approve Alternative 1 and to direct staff to develop the next biennium Water Utility budget based on the collection of all Cascade growth charges from development. Mr. Lee seconded the motion.

Dr. Davidson discussed his reluctance to impose development charges because this increases housing costs. At the same time, he does not want to increase water rates.

Mr. Noble spoke in favor of a combined cost recovery approach affecting both water rates and development charges.

Mr. Degginger said he reluctantly supports the development charge approach in order to be consistent with other cities. Mr. Warren noted that Council can choose to change its cost recovery method in the future. He said Issaquah and Sammamish strongly support development charges as their cost recovery method.

- ➡ The motion to approve Alternative 1 and to direct staff to develop the next biennium Water Utility budget based on the collection of all Cascade growth charges from development carried by a vote of 6-0.

Ms. Carlson highlighted the briefing in the Regional Issues packet about King County's regional committees. The Regional Policy Committee will continue its discussion of human services funding at an October 2 meeting.

(f) Transportation Quarterly CIP (Capital Investment Program) Report

Mr. Sarkozy introduced the Transportation Department's quarterly CIP report for the quarter ending June 30, 2002.

Goran Sparrman, Transportation Director, displayed a graph comparing yearly CIP budgets to expenditures. Expenditures have remained below budgeted levels since 1998 but will exceed the budget for the first time this year, at which time the City will spend money carried forward in recent years. The number of projects has increased steadily to more than 60 projects this year.

David Berg, Transportation Assistant Director, recalled key elements of the capital projects process, which have been discussed previously with Council:

- New and better defined project development process.
- Clear discretionary decision points for Council.
- Ongoing work to reduce project costs.
- Regular CIP progress reports to Council.

Mr. Berg referenced page 4 of the quarterly report, a program overview of budgeted expenditures, actual expenditures, and dollars committed for each of the four major program areas – roadways, intersections, walkways/bikeways, and maintenance/minor capital. Actual expenditures (including contractually encumbered funds) should finish the year at approximately 97 percent of the budget.

Second quarter 2002 highlights include construction contracts awarded for five projects totaling \$13 million. Mr. Berg said Transportation awarded 10 major CIP contracts during the first two quarters of the year. He displayed a graph titled "Design Phase Variance" comparing budgeted costs to actual expenditures. The next graph showed consultant costs as a percentage of construction contract costs. Mr. Berg said 15 percent is the industry standard and consultant costs above that level for a specific project should be reviewed. He explained that consultant costs for the 112th Avenue NE/NE 2nd Street project increased because: 1) the project was originally designed as one project and subsequently was split into two separate projects in order to utilize a federal grant for one of the projects, and 2) redesign was necessary to accommodate

property owners' needs and to coordinate with franchise utilities along the corridor. The 124th Avenue SE project experienced higher consultant costs due to an accelerated design phase necessary to complete the project before initiating the Factoria Boulevard project.

- ➡ Deputy Mayor Degginger moved to extend the meeting to 10:30 p.m., and Mr. Creighton seconded the motion.
- ➡ The motion to extend the meeting to 10:30 p.m. carried by a vote of 6-0.

Responding to Mr. Degginger, Mr. Berg said ICMA (International City/County Management Association) collects data on consultant costs. The Washington State Department of Transportation and other agencies follow the 15-percent standard for budgeting and managing projects. Deputy Mayor Degginger said he would be interested in reviewing the ICMA data.

Mr. Berg discussed a chart titled "Construction Contract Variance." The project on NE 24th Street in the Bridle Trails area exceeded budgeted construction costs by 9.74 percent due to changes in the project. Mr. Berg reviewed a summary of active projects and responded to brief questions about specific projects.

Turning to page 16 of the quarterly report, Mr. Berg described the Richards Road project. The contractor has completed its work in the wetland and moved to construction of the wall on the west side of Richards Road. Construction of a new, wider roadway will begin in the next few weeks and is scheduled for completion by the end of the year. Mr. Berg said the 140th Avenue corridor improvement project is essentially completed. A grand opening celebration will be held on Saturday, October 19, 12:30-2:00 p.m. at Sammamish High School.

Mr. Berg said limited work will be completed on the Factoria Boulevard improvements (Page 19 of quarterly report) before the project is shut down between November and January to accommodate the holiday shopping season. Turning to page 21, Mr. Berg said the project on NE 20th Street (between 140th and 148th Avenues NE) represents an alternatives analysis for potential safety improvements. The project has received a federal grant and negotiations with property owners are underway. Mr. Berg described a project to analyze trail alternatives along 156th Avenue SE (SE 24th Street to Lake Hills Boulevard). Two open houses have been held and residents have been surveyed, resulting in strong community support for an alternative with a sidewalk in the north section, a boardwalk through the wetlands, and bike lanes.

Mr. Berg said SE 8th Street is currently closed for reconstruction of the interchange at I-405. The project was delayed somewhat due to the presence of contaminated soil but construction is now underway. The Meydenbauer Bridge replacement project is on schedule and the bridge could reopen as early as mid-December. Mr. Berg said this project includes an incentive for early completion.

Responding to Councilmember Lee, Mr. Berg said the maximum incentive the contractor could receive is \$100,000, which is included in the project budget.

In response to Dr. Davidson, Mr. Berg said incentives can be offered for a variety of reasons. In the case of Meydenbauer Bridge, staff determined this to be a critical transportation link that warranted an incentive. Dr. Davidson suggested incentives be used more frequently for transportation projects. Mr. Berg said incentives work best with a well-defined project. The Richards Road project is more complex and was not considered a good candidate for an early completion incentive.

Mayor Marshall noted Council consensus to utilize incentives and disincentives when appropriate.

Mr. Berg reviewed page 27 of the quarterly report which provides a summary of adjustments to the 2001-2007 CIP Plan for the quarter. Mr. Sparrman welcomed Councilmembers' comments about how to make the quarterly report more useful.

Responding to Mr. Creighton, Mr. Berg said the City's only remaining responsibility on the NE 8th Street/116th Avenue project is final paving. The lane closure is related to WSDOT's work on the on-ramp to northbound I-405. Mr. Sparrman acknowledged that traffic control has been poor at this location in the past. However, he is confident the situation will improve with Bellevue police officers now available to provide traffic control.

At 10:30 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

kaw